

## Message Text

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INFO SECSTATE WASHDC 4020  
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E.O. 11652: N/A

TAGS: BEXP, BENC, EINV, EC

SUBJECT: DRAFT LAW WOULD INCREASE CHANCES OF PARTICIPATION OF U.S.  
CONSTRUCTION ENGINEERING FIRMS IN MAJOR PROJECTS IN  
ECUADOR

1. IN AN APRIL 20 MEETING WITH SR. NELSON MURGUEYTIO, PRESIDENT  
OF THE CHAMBER OF CONSTRUCTION OF QUITO, THE COMATT WAS TOLD  
OF A DRAFT LAW, ALREADY PREPARED AND APPARENTLY ONLY AWAITING  
APPROPRIATE SIGNATURES, THAT WOULD MAKE AN IMPORTANT CHANGE  
IN THE MANNER IN WHICH FOREIGN CONSTRUCTION ENGINEERING  
FIRMS ARE CONTRACTED TO WORK ON LARGE CONSTRUCTION PROJECTS  
IN ECUADOR.

2. THE ESSENCE OF THE CHANGE IS THAT THE FINANCIAL ASPECT  
OF THE FOREIGN COMPANY PARTICIPATION WOULD BE SEPARATED  
FROM THE TECHNICAL SIDE. FINANCING OF THE PROJECT WOULD  
BE ARRANGED BY THE GOVERNMENT BEFORE THE CALL FOR BIDS,  
AND THE LICITATION WOULD BE DECIDED PRIMARILY ON THE TECHNICAL  
STRENGTH OF THE PROPOSALS. THE FINANCIAL AND TECHNICAL  
ASPECTS ARE NOW COMBINED IN MOST CASES, LEADING TO A  
SITUATION WHEREBY A FOREIGN COMPANY OFFERING THE BEST  
FINANCIAL PACKAGE, OFTEN BASED ON A HIGHLY CONCESSIONAL  
LOAN GRANTED BY THE THIRD-COUNTRY GOVERNMENT, IS ABLE TO  
SUBMIT THE LOWEST BID AND WIN THE CONTRACT EVEN WHEN FROM  
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THE TECHNICAL POINT OF VIEW THE PROPOSAL WAS NOT AMONG  
THE BEST. ACCORDING TO MURGUEYTIO, FRENCH AND SOUTH  
AFRICAN FIRMS HAVE WON A NUMBER OF CONTRACTS IN THIS WAY.

3. ALSO CONSIDERED DISADVANTAGEOUS IN THE CURRENT  
SITUATION IS THAT IT LEADS TO TURN-KEY PROJECTS IN WHICH  
IT IS DIFFICULT FOR ECUADOREAN CONSTRUCTION FIRMS TO

PARTICIPATE. IF THE DRAFT LAW IS SIGNED, IT WILL VERY  
LIKELY ENCOURAGE THE ASSOCIATION OF ECUADOREAN AND FOREIGN  
CONSTRUCTION ENGINEERING FIRMS AS WELL AS THE FORMATION  
OF MIXED, LOCAL/FOREIGN, CONSORTIA TO BID ON LARGE  
GOVERNMENT PROJECTS. FOREIGN FIRMS WOULD BE ABLE TO HAVE  
AS MUCH AS A 70 PERCENT EQUITY POSITION IN SUCH JOINT  
VENTURES, PROVIDING THAT WORK IS PERFORMED ONLY IN  
CONNECTION WITH INFRASTRUCTURE PROJECTS AND NOT ON  
RESIDENTIAL AND COMMERCIAL CONSTRUCTION.

4. SHOULD THIS DRAFT LAW BE ENACTED THERE IS LIKELY TO  
BE CONSIDERABLE INTEREST AMONG ECUADOREAN CONSTRUCTION  
FIRMS IN ASSOCIATING WITH U.S. FIRMS HAVING THE SPECIALIZED  
EXPERTISE NEEDED TO PREQUALIFY FOR PARTICIPATION IN LARGE  
INFRASTRUCTURE PROJECTS.  
THE POST WOULD IN THIS CASE MAKE A SPECIAL EFFORT TO  
LOCATE AND REPORT JOINT VENTURE OPPORTUNITIES IN THE  
CONSTRUCTION FIELD.  
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## Message Attributes

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